

UNIVERSITY OF
ILLINOIS LIBRARY
AT URBANA-CHAMPAIGN
BOOKSTACKS

Digitized by the Internet Archive
in 2011 with funding from
University of Illinois Urbana-Champaign

<http://www.archive.org/details/strategiesofadve59shet>

Faculty Working Papers

**Strategies of Advertising Transferability in
Multinational Marketing***

Jagdish Sheth

#59

**College of Commerce and Business Administration
University of Illinois at Urbana-Champaign**

(

FACULTY WORKING PAPERS

College of Commerce and Business Administration

July 7, 1972

Strategies of Advertising Transferability in
Multinational Marketing*

Jagdish Sheth

#59

*Paper to be presented at Symposium on New Perspectives in International Business, University of California at Berkeley, July 27-29, 1972.

Strategies of Advertising Transferability
In
Multinational Marketing

Jagdish N. Sheth
University of Illinois

INTRODUCTION

The expansion of multinational business activities in many large scale corporations has increased the complexity of managerial decision-making especially in the areas of marketing and advertising. This increased complexity is often attributed (a) to the greater diversity of environmental factors across countries, (b) to the lack of information on several environmental factors especially related to people's preferences and habits in various countries and finally (c) to the rapid changes in some environmental factors in many countries.

The increased complexity of decisions in the area of advertising management can be described in terms of three action-oriented questions:

1. Should the manager position and communicate about his brand the same way in all countries? In other words, should he utilize the same appeals and target his market the same way as what is done in the domestic market?
2. Should the manager utilize the same media (except for availability problems) and allocate his budget among media the same way as he is doing in the domestic market?
3. Finally, what amount should he spend in various countries? Should it be proportional to the potential market demand in various countries?

It is very tempting for the manager to seriously consider extending his advertising strategy to other countries especially if he has a success track in the domestic market. In addition, there are several

fundamental advantages in this strategy of extension of advertising effort. The foremost advantage lies in the fact that successful creative appeals and communications are very difficult to generate on a routine basis. If the manager can, therefore, successfully transfer a good appeal to as many situations and countries as possible, he will save a lot of time and effort in searching for new ideas, appeals and concepts. (Dunn 1967). Secondly, the cost of producing separate advertising commercials can be considerably minimized if direct transfer can be made; often this cost is a major part of the total advertising budget (Peebles 1967, Keegan 1968). Finally, it is always easier to manage a less complex and varied task. The manager can feel more confident, more secure and often more productive in his own function if there are universal advertising programs across many markets.

On the other hand, the manager is conscious of the real possibility of failure because he knows the salient environmental factors are different and more complex to comprehend in foreign markets. Furthermore, he is often unwilling or unable to take the risk of extending his success story because often he knows he has no theory underlying his success in domestic market. In other words, his advertising strategy somehow works in the domestic market but he cannot explain why it works.

Two Opposite Schools of Thought

The manager is, therefore, faced with the dilemma: Should he extend his advertising strategy or adjust it for each country? Unfortunately, very little systematic empirical research exists today to provide some Bayesian insights. Furthermore, there are two opposite

schools of thought among advertising agencies and marketing researchers (Ryans 1969).

The first school of thought asserts that the basic needs, wants and expectations today transcend the geographical, national and cultural boundaries, (Roostal 1963, Elinder 1965, Fatt 1964).

"This school of thought holds that the desire to be beautiful is universal and that advertising is more effective when it pictures a woman as she would like to be rather than as she is.... Most people everywhere, from Argentina to Zanzibar, want a better way of life for themselves and for their families. The intensity of this aspiration varies, not only with the country, but with the segment of a country. But it's there" (Fatt 1964, p. 18). This school of thought, therefore, prefers to search for fundamental similarities across segments and countries and capitalize on them by producing universally appealing product themes.

The second school of thought, however, asserts that even though it is true that human nature is the same everywhere, it is just as true that a German will always remain a German, and a Frenchman will always remain a Frenchman (Leo 1964; Lenovmand 1964). It would, therefore, prefer to develop separate, heterogeneous product appeals to capitalize on the differences among customers in different cultures and countries. Their basic argument is that it is impossible to develop a perfect denominator across cultures in order to communicate universally.

It is obvious from a variety of successful experiences cited by both schools of thought that each has proved a useful viewpoint in some specific product situation to be marketed to a country under some specified competitive and economic conditions. To that extent,

both schools of thought are "situation-bound" and lack generalizations useful to the manager. In addition, both schools of thought make certain assumptions about the relevance of environmental factors which seem more and more removed from market realities.

First, let us make it clear that aggregate country profiles on cultural, economic and social factors are not necessarily the same as customer profiles. In other words, while two countries may be very different in cultural and social values, customers for a product class in those countries may be very similar in their cultural and social values. For example, India and the U.S. may be very different but customers of refrigerators in both countries may be very similar in their cultural and social values. Reciprocally, while two countries may be very similar, customers living in those two countries may be very different in their cultural and social values. For example, the U.S. and Canada are relatively similar cultures but the consumption of a number of products is considerably different. Thus what should be compared between two countries is the distributions of customers or potential customers on environmental factors.

Second, what may be relevant to compare customers in two countries are the specific expectations and choice criteria people use to choose and buy product types. Thus it is possible that customers in two countries may be very different on socioeconomic and demographic factors but may have the same expectations and utilize the same criteria with respect to a given product class. For example, transistor radios may appeal to young adults and poor people in one country and middle aged and rich people in some other country.

Finally, it seems more logical to assume that there is a discrete continuum in between the complete extension and the complete adjustment of advertising. It should be useful to think of possible degrees of adjustment needed to make a successful transfer of advertising function from one country to another country.

A New Orientation To Advertising Transferability

This paper attempts to define a set of guidelines which will suggest whether adjustment is necessary and if it is necessary, it shows the degree of adjustment necessary in transferring the advertising function.

In my opinion, the research manager should ascertain the following three factors about various countries in which the product is likely to be marketed.

1. The expectations and criteria people use to evaluate a product class in various countries. In other words, what benefits people expect to derive from buying and consumption of a product class. Considerable evidence is available to suggest that people look for different benefits in a product class even within a country. In fact, this is the genesis of market segmentation and product differentiation (See Howard and Sheth 1969; Sheth 1972 for fuller discussion).

It is easy to obtain a profile of a country's customers about their expectations. First, we should ascertain as many benefits the product can provide by depth interviews with a small sample of customers for each country. Often, a sample of ten to fifteen customers per country is sufficient. Second, these benefits should be scaled in terms of the degree of importance

a customer would attach to them relative to one another.

Third, a representative sample of customers should be chosen from each country who will rate their relative importance of various benefits based on their expectations. Finally, it is possible to perform a multiple discriminant analysis between two or more groups of customers representing various countries to see if there are any group differences in their profiles of benefits. This will indicate whether two countries are similar or different in their expectations about a product class.

2. A second factor is related to the encoding-decoding aspects.

After all, whatever the manager desires to communicate must be encoded (represented) in symbolic communication form (pictorial and linguistic representations). Furthermore, this encoding is often directly linked to the media availability and their capabilities. For example, pictorial representation is not possible in radio but possible in print media. Similarly, physical movement is pictorially encodable in television but not in print media. Finally, print media cannot encode auditory representations whereas broadcast media can (Howard and Sheth, 1969, Chapter 9).

Even if encoding aspects may be technically similar between two countries, the decoding of messages by potential customers in the two countries may be very different. The decoding of communication is directly anchored to customer's availability of media, his exposure to and understanding of commercial

messages, and finally his selective comprehension and retention of whatever he is exposed to. The process by which people pay selective attention to mass media, retain only some information and systematically distort whatever is retained is again fully described in Howard and Sheth (1969).

Once again, it seems feasible to assess encoding-decoding similarities between two or more countries. Based on pilot studies, we should develop a set of scales related to encoding aspects in general and a set of scales related to decoding aspects. Each country can then be profiled on the encoding-decoding scales. From these profiles, a similarity matrix can be created which in turn should provide a typology of countries in terms of their similarities and differences. A number of clustering procedures are available to develop this typology.

3. Finally, a third major factor deals with the "silent languages" of each country. Hall (1959) has, for example, beautifully described the silent languages of time, space, things, friendship and agreements. This factor is necessary to understand in order that the background of advertising commercials can be symbolically translated from one country to another. For example, in order to sell beer in different countries, the silent language of friendship may require different situations of social interaction and friendship. Thus, culture and its manifestation is relevant in understanding multinational advertising but primarily as a source of input for the creative people to dream up symbolically comparable situations.

It is easy to profile a country on these silent languages. Based on pilot studies, we must develop a number of indicators for each of the silent languages useful to marketing and advertising functions. From these indicators, we can develop scales to estimate their relative importances to each group of customers from various countries. These group profiles then can be contrasted with the use of discriminant analysis. If there is no difference between two or more countries, we may safely assume that the same silent language is operating in those countries. A reciprocal inference will be drawn if the analysis reveals statistical differences.

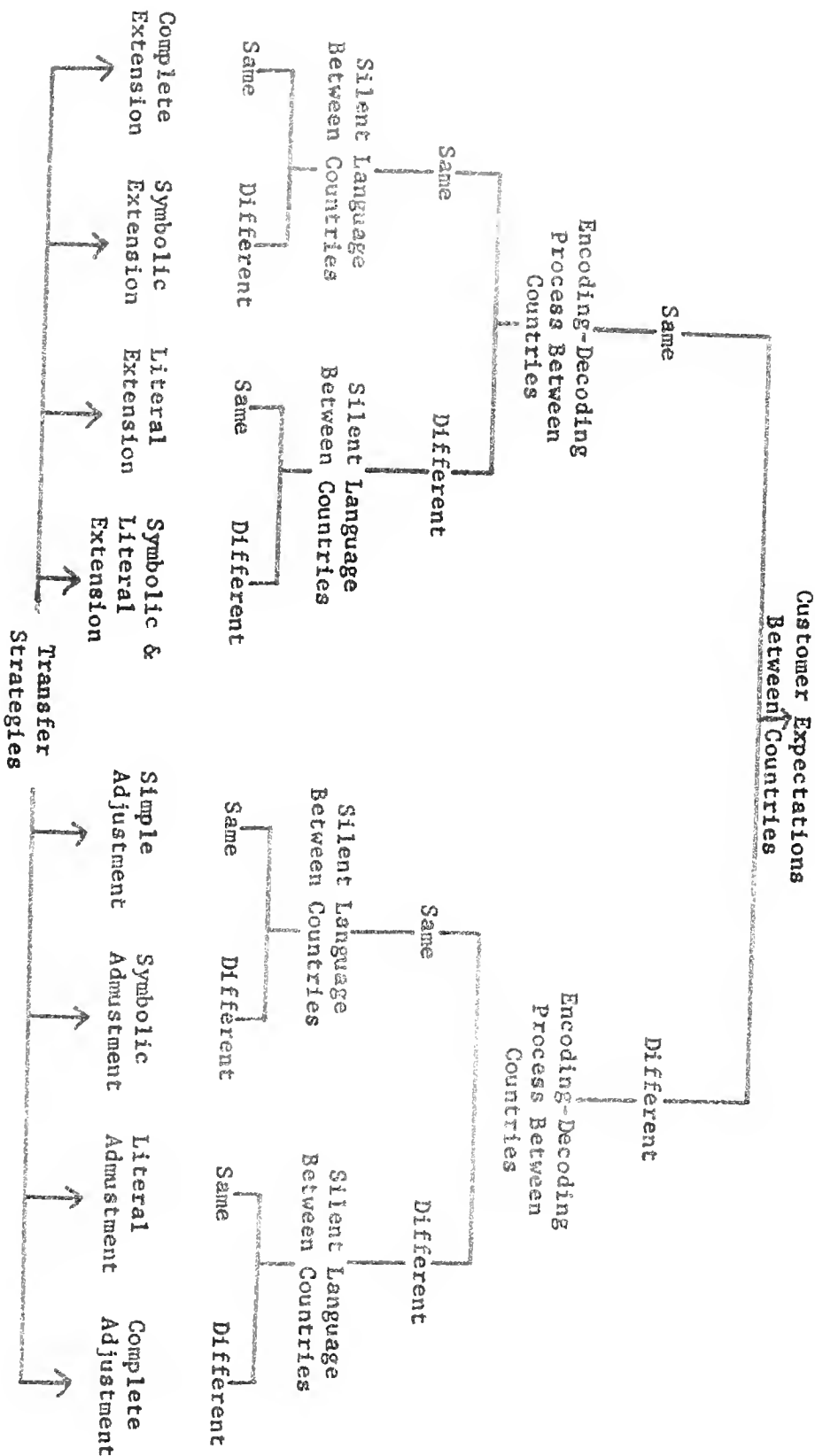
Eight Strategies of Transfer of Advertising

Based on these three factors, I have created a total of eight different types of extension-adjustment combinations including complete extension and complete adjustment. The model is simple in that it presumes a dichotomous relationship between two countries: either they are similar or different with respect to a factor. It is summarized in Table 1. In the rest of the paper, I describe the eight types of transfer strategies possible for multinational advertising.

1. Strategy of Complete Extension: Under this strategy, a successful advertising effort is transferred to other countries as it is without any modification either in content or in media choice. This strategy will work if (a) buyer expectations, (b) encoding-decoding process, and (c) silent languages between countries are all the same. This is the type of multinational universal advertising suggested by the first school of thought discussed earlier.

TABLE 1

A Classification of Transfer of Advertising from one Country to Another



Perhaps the strategy of complete extension is not possible on a global basis simply because media availability varies considerably across countries due to different legal restrictions. However, we do find the strategy of complete extension operating in clusters of countries, for example, among Scandinavian countries, in North American countries, etc.

2. Strategy of Symbolic Extension: A successful advertising is extended to other countries with only modifications in the background situations. This strategy will be desirable if the buyer expectations and encoding-decoding process are the same but the silent languages are different between the countries. Although some modification is made, it is probably the least amount of change in transfer of successful advertising because both the appeal and the medium remain the same. A good example of symbolic extension is the substitution of a boy in place of the girl in the Vicks VapoRub commercials when extended to Arabic countries presumably because boys are more the object of parental affection in the Arab world.

Symbolic extension is perhaps the most common strategy of advertising in multinational business operations. Even in the case of universally accepted products such as Coca Cola and IBM, we find ample examples of this type of advertising transfer strategy.

3. Strategy of Literal Extension: This strategy is most common when the buyer expectations and the silent languages are the same but the encoding-decoding process is different between the countries. In

this strategy, the media may be different or the same medium may be utilized differently in the two countries. The message and the background situations, however, remains the same.

The strategy of literal extension is usually developed in response to differential legal restrictions of various countries. For example, television is freely available for commercial messages in the U.S. but it is completely restricted in the Scandinavia. On the other hand, cinema houses are a common medium for advertising in Scandinavia but seldom utilized in the U.S. The literal extension from one country to another under this situation is minimal, perhaps limited only to color fidelity. However, literal extensions are sometimes of greater proportion when transfer is from broadcast to print media or vice versa.

4. Strategy of Symbolic & Literal Extension: It is probably more common to see both symbolic and literal extensions than either of them alone when a multinational corporation marketing a universal product extends itself to under developed countries. This strategy is most useful when the buyer expectations are the same but both the encoding-decoding process and the silent languages are different between the countries.

It is possible to conceive that a company such as Coca Cola Company or IBM can create a worldwide advertising effort with the use of this strategy. In fact, one presumes that it is this type of multinational universal advertising which is recommended by the first school of thought discussed earlier.

5. Strategy of Simple Adjustment: When the encoding-decoding process

and the silent languages are the same but buyer expectations are different between the countries, the strategy of simple adjustment is useful. In this strategy, the medium and the background of advertising remain the same but the product is promoted on a different appeal. Even within a country, we often find use of this strategy to appeal to segments of the market.

There are a number of examples in multinational marketing in which the same product is promoted on widely different appeals in different countries. For example, bicycle is promoted as a commuting vehicle in under developed countries as well as in Scandinavia whereas, in the U.S., it has been so far promoted as a sports item. Similarly, the lower-priced American cars are promoted as prestigious items in many foreign countries.

This and the next three strategies will be contrary to the viewpoints of the first school of thought which believes in developing universal common appeals. By the same token, this strategy will be the least one can do according to the second school of thought which believes in developing differentiated appeals for the same product.

6. Strategy of Symbolic Adjustment: Under this strategy both the content elements - appeals and background - are modified from one country to another. However, the medium remains the same because the encoding-decoding process is the same between the countries.

We find numerous examples of this type of transfer of advertising in most under developed countries. For example, a number of prepared or processed foods are advertised on the connotations of being modern rather than on convenience; instant coffee is a very good example.

7. Strategy of Literal Adjustment: When the two countries have the same silent languages but are different in terms of customer expectations and encoding-decoding process, the strategy of literal adjustment is desirable. Not only the appeals are different but also different media are chosen when transferring advertising function to another country.

It is often this type of adjustment (with respect to both appeals and media) which has been called for by the second school of thought. Again there are several case histories in which successful use of this strategy has been made. Take for example, the advertising efforts of Gillette in Sweden compared to its efforts in Greece or the U.S.; the appeals in Sweden are directed to compete against dry shaving, whereas, they are directed toward encouraging self-shaving in Greece and toward superiority of Gillette compared to other blades in the U.S.

8. Strategy of Complete Adjustment: This strategy is, of course, antithesis to the strategy of complete extension. It suggests a complete fresh approach in a country because it is presumably different in customer expectations, in encoding-decoding process, and in its silent languages.

Despite the vehement arguments presented by the second school of thought, my view is that the strategy of complete adjustment is more of an exception rather than the rule. Perhaps it will become relevant when we increase our multinational activities to East European countries including the U.S.S.R. It is, however, true that several large multinational corporations and advertising

agencies still believe in this strategy but I think such beliefs are based on business practice rather than firm knowledge of the market realities. We know, of course, that business practice, even successful, is not necessarily the right strategy because marketing successes are still more due to accidents of time, place and effort than due to systematic plans.

SUMMARY AND CONCLUSIONS

This paper has attempted to examine critically the present controversy of strategy of multinational advertising: Should the company follow a universal advertising policy or should it create separate advertising strategies for each country?

I have suggested that a number of problems underlie in the present thinking of opposite schools of thought. First, they compare and contrast profiles of two or more countries when what should be compared and contrasted are profiles of customers in the two or more countries. Second, the comparative profiles are often drawn on the basic environmental factors such as socioeconomic, demographic and cultural aspects which may have very little to do with the expectations of customers about specific product categories. In short, we simply do not know whether a rich, middle-aged, white suburban customer in the U.S. has always markedly different expectations about a specific product than a poor, young, nonwhite city customer in any under developed country; and equally we don't know the vice versa. Finally, it is probably more logical to expect some discrete advertising strategies to fall in between the extremes of completely universal advertising and completely differentiated advertising.

This paper suggests that three factors most essential to provide insights

into multinational advertising strategy are (1) customer expectations about the product, (2) encoding-decoding process and (3) silent languages of various countries in which we have an interest. Specific research procedures are briefly described to develop profiles of each country on these three factors, and to statistically find out whether countries are different or similar. Finally, based on a simple binary classification of each of the three factors, I have proposed eight different strategies of extension and adjustment of advertising when transfer is made from one country to another. These are called (1) complete extension, (2) symbolic extension, (3) literal extension, (4) symbolic and literal extension, (5) simple adjustment, (6) symbolic adjustment, (7) literal adjustment, and finally (8) complete adjustment. Each strategy is briefly described in the paper with some illustrative examples from current practice of multinational advertising.

REFERENCES

1. Dunn, S. Watson, (1967), "The International Language of Advertising" in H. W. Sargent (ed.) Some International Challenges to Advertising, American Academy of Advertising, University of Illinois, pp. 17-26.
2. Elinder, Erik (1965), "How International Can European Advertising Be?" Journal of Marketing, Vol. 29 (April 1965), pp. 7-11.
3. Fatt, Arthur C. (1964), "A Multinational Approach to International Advertising," The International Advertiser, Vol. 5 (September 1964), pp. 17-19.
4. Hall, Edward T. (1959), The Silent Language (New York: Doubleday & Co.).
5. Howard, J. A. and J. N. Sheth (1969), The Theory of Buyer Behavior (New York: John Wiley & Sons).
6. Keegan, Warren S. (1968), "Multinational Marketing Strategy and Organization: An Overview" in R. Moyer (ed.) Changing Marketing Systems (Chicago: American Marketing Association, 1968) pp. 203-209.
7. Lenormand, J. M. (1964), "Is Europe Ripe for the Integration of Advertising?" The International Advertiser, Vol. 5, March 1964.
8. Leo, Norton B. (1964), "Creative Strategy for International Advertising" in S. W. Dunn (ed.) International Handbook of Advertising (New York: McGraw-Hill Book Co.).
9. Peebles, Dean (1967), "Goodyear's Worldwide Advertising" The International Advertiser, Vol. 8, (January 1967).
10. Roostal, Ilmar (1963), "Standardization of Advertising for Western Europe" Journal of Marketing, Vol. 27, (October 1963)
11. Ryans, John K. (1969), "Is It Too Soon To Put a Tiger in Every Tank?" Columbia Journal of World Business, Vol. 4, March-April 1969, pp. 69-75.
12. Sheth, J. N. (1972), "Relevance of Segmentation to Market Planning," Working paper presented at the ESOMAR Seminar on Typology and Segmentation, May 10-12, 1972, Brussels, Belgium.

1. The first part of the report is a general introduction to the project.

2. The second part of the report is a detailed description of the methodology used.

3. The third part of the report is a discussion of the results.

4. The fourth part of the report is a conclusion.

5. The fifth part of the report is a list of references.

6. The sixth part of the report is a list of appendices.

7. The seventh part of the report is a list of figures.

8. The eighth part of the report is a list of tables.

9. The ninth part of the report is a list of abbreviations.

UNIVERSITY OF ILLINOIS-URBANA



3 0112 060296883